

Message Text

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64

ACTION EUR-12

INFO OCT-01 EA-06 IO-10 ISO-00 SP-02 AID-05 EB-07 NSC-05

CIEP-01 TRSE-00 SS-15 STR-04 OMB-01 CEA-01 CIAE-00

COME-00 FRB-03 INR-07 NSAE-00 USIA-06 XMB-02 OPIC-03

LAB-04 SIL-01 L-03 H-02 DODE-00 PA-01 PRS-01 /103 W

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R 281855Z JUL 75

FM AMEMBASSY PARIS

TO SECSTATE WASHDC 1721

INFO AMEMBASSY ANKARA

AMEMBASSY ATHENS

AMEMBASSY BELGRADE

AMEMBASSY BERN

AMEMBASSY BONN

AMEMBASSY BRUSSELS

USMISSION EC BRUSSELS

AMEMBASSY COPENHAGEN

AMEMBASSY DUBLIN

USMISSION GENEVA

AMEMBASSY THE HAGUE

AMEMBASSY HELSINKI

AMEMBASSY LISBON

AMEMBASSY LONDON

AMEMBASSY LUXEMBOURG

AMEMBASSY MADRID

AMEMBASSY OSLO

AMEMBASSY OTTAWA

AMEMBASSY REYKJAVIK

AMEMBASSY ROME

AMEMBASSY STOCKHOLM

AMEMBASSY TOKYO

AMEMBASSY VIENNA

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PASS TREASURY AND FEDERAL RESERVE

E.O. 11652: N/A

TAGS: EFIN, FR

SUBJECT: GOF ECONOMIC CHANGES FOLLOWING GISCARD-SCHMIDT MEETINGS

SUMMARY: IN THE WAKE OF THE GISCARD-SCHMIDT MEETINGS OF JULY 25 AND 26, GOF ECONOMIC POLICY HAS SHIFTED TO GREATER STIMULUS, MAINLY BY FISCAL MEASURES, IN A PROGRAM WHICH IS BEGINNING TO BE ANNOUNCED IN THE PRESS. THE PROGRAM ITSELF WILL BE PRESENTED AS A PART OF THE FY 76 BUDGET IN THE FIRST WEEK OF SEPTEMBER. DETAILS OF THE NEW FISCAL MEASURES ARE NOT AVAILABLE. END SUMMARY.

1. WITH A VIEW TOWARDS HARMONIZING REFLATIONARY MEASURES IN FRANCE AND THE FRG' THE GOF HAS ANNOUNCED ITS INTENTIONS TO PRESENT MEASURES DESIGNED TO STIMULATE THE ECONOMY IN THE FY 76 BUDGET. (SCHEDULED TO BE PRESENTED THE FIRST WEEK OF SEPTEMBER)

2. OVERALL BUDGET FIGURES, MUCH LESS DETAILS, ARE NOT AVAILABLE BUT PRESS REPORTS INDICATE THAT THE FY 75 DEFICIT OF 7 BILLION FRANCS COULD RISE TO 15 TO 20 BILLION FRANCS IN FY 76 AS THE RESULT OF INCREASED PUBLIC EXPENDITURE. OTHER POSSIBLE FEATURES NOTED ARE A LOWERING OF INTEREST RATES FOR CONSUMER CREDIT; EARLIER RETIREMENT AGE FOR SOCIAL SECURITY; AND TVA TAX ADJUSTMENTS SUCH AS DELAYING TAX PAYMENTS BY ONE MONTH AND REMISSIONS OF TVA PAID BY LOCAL AUTHORITIES FOR CAPITAL INVESTMENT PROJECTS.

3. WHILE THE SHIFTS IN GOF ECONOMIC POLICY CURRENTLY REPORTED IN THE FRENCH PRESS REPRESENT A CONSIDERABLE SHIFT, AT LEAST IN THE GOF ECONOMIC POLICY POSTURE, AN INCREASE IN THE FISCAL DEFICIT TO 15 OR 20 BILLION FRANCS NEXT YEAR WOULD STILL LEAVE THE FRENCH FISCAL DEFICIT QUITE MODERATE ON A GNP BASIS IN COMPARISON WITH THAT OF THE U.S. OR EVEN THE FRG IN FY 75. THUS, THE GOF PROBABLY WILL STILL FOCUS ON SELECTIVE LIMITED OFFICIAL USE

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MEASURES, THE DETAILS OF WHICH WILL NOT BE AVAILABLE UNTIL EARLY SEPTEMBER.

4. NOTABLY, EXCEPT FOR CONSUMER CREDIT, NO MENTION HAS BEEN MADE IN THE PRESS ABOUT LOWER INTEREST RATES. AS THE EXCHANGE RATE DISCIPLINE ENFORCED BY FRANCE'S RETURN TO THE EC MONETARY "SNAKE" PRECLUDES INTEREST LOWER THAN EUROCURRENCY RATES, AS A MINIMUM CONSIDERA-

TION, MONETARY MEASURES ARE VERY UNLIKELY TO PLAY MUCH
OF A ROLE IN GOF POLICIES DESIGNED TO REFLATE THE
ECONOMY.
GAMMON

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